

# RYAN SMITH & CARBINE, LTD.

ATTORNEYS AT LAW

MEAD BUILDING  
98 MERCHANTS ROW  
P.O. BOX 310  
RUTLAND, VERMONT 05702-0310

TELEPHONE (802) 786-1000  
FACSIMILE (802) 786-1100

WRITER'S DIRECT DIAL:

802/786-1025  
Writer's e-mail  
[tmd@rsclaw.com](mailto:tmd@rsclaw.com)

NEW YORK OFFICE:  
RYAN SMITH & CARBINE, P.C.  
511 GLEN STREET  
GLENS FALLS, NEW YORK 12801

TELEPHONE (518) 499-1272  
FACSIMILE (518) 499-1273

PLEASE REPLY TO: ☒ VERMONT ☐ NEW YORK

R. JOSEPH O'ROURKE  
JOHN J. ZAWISTOSKI  
THOMAS M. DOWLING  
ALLAN R. KEYES  
HARRY R. RYAN  
GLENN S. MORGAN  
JAMES B. ANDERSON ▲  
WILLIAM A. O'ROURKE, III  
ELIZABETH A. GLYNN  
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STEPHANIE P. ROMEO  
ERIC J. MORGAN  
ANTONIN I.Z. ROBBASON  
STEPHEN C.H. CASSARINO  
▲ ALSO ADMITTED IN NEW YORK

April 13, 2018

*Via Electronic Mail and Overnight Mail*

Mr. Sebastian Arduengo, Esq.  
Ms. Donna Jerry, Senior Health Policy Analyst  
Green Mountain Care Board  
89 Main Street  
Montpelier, VT 05620

**RE: GMCB-002-18con. Request of Kindred Healthcare Inc. for a Certificate of Need with Respect to an Internal Corporate Reorganization**

Dear Mr. Arduengo and Ms. Jerry:

On behalf of Kindred Healthcare, Inc. ("Kindred"), this letter is in response to your March 16, 2018 letter requesting additional information regarding the internal corporate restructuring described in Kindred's Request for Jurisdictional Determination letter dated January 25, 2018 (and subsequent response on March 5, 2018) for Kindred's two Vermont skilled nursing facilities, Kindred Transitional Care and Rehabilitation – Birchwood Terrace located at 43 Starr Farm Road, Burlington, Vermont 05408 and Starr Farm Nursing Center located at 98 Starr Farm Road, Burlington, Vermont 05408 (the "SNF Facilities").

Specifically, on March 16, 2018, you requested the following additional information:

**1. State the total cash value of the transaction described in the Agreement and Plan of Merger, including the assumption or repayment of net debt**

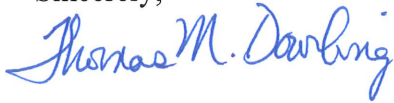
Response: The total cash value of the transaction as described in the Agreement and Plan of Merger is approximately \$4.1 billion including assumed debt, plus financing fees and other transaction costs. The purchase amount assigned to Kindred's Vermont operations for the SNF Facilities based on the pro rata allocation of the purchase price negotiated by the parties exceeds the maximum Certificate of Need application fee of \$20,000 where such pro rata allocation is multiplied by .125% pursuant to 18 V.S.A. § 9441.

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**2. Provide a letter from the Department of Disabilities, Aging and Independent Living regarding the transaction**

Response: See Enclosed.

Sincerely,



Thomas M. Dowling

cc: Rahul Narula, Esq.  
Jeffrey P. Stodghill, V.P. and Corporate Counsel  
Shireen T. Hart, Esq.

**Monica Caserta Hutt**  
**Commissioner**  
**Commissioner's Office**  
**HC 2 South, 280 State Drive**  
**Waterbury, VT 05671-2020**  
**(802) 241-2401- phone**

March 23, 2018

Ms. Donna Jerry  
Senior Health Policy Analyst  
Green Mountain Care Board  
89 Main Street  
Montpelier, VT 05620

**GMCV-002-18con. Request of Kindred HealthCare Inc. for a Certificate of Need with Respect to an Internal Corporate Reorganization**

Dear Ms. Jerry,

In response to the Green Mountain Care Board requirements related to Certificates of Need for internal reorganizations which trigger a need for a new license, I have asked my Division of Licensing and Protection, Survey and Certification Unit to address the licensing issues related to the reorganization based on the two applicable standards. Please find our recommendations below.

**CON STANDARD 5.3:** Nursing homes or similar entities seeking a certificate of need shall provide a written recommendation from the Department of Disabilities, Aging and Independent Living supporting the new health care project proposal.

Although this is not a new health care project proposal, the issuance of a new license to Kindred Transitional Care and Rehabilitation – Birchwood Terrace due to the internal corporate reorganization is a necessary paperwork process to ensure an accurate License to Operate is issued and displayed. The DLP will require a re-application for licensure that represents the new name of the Licensee and the Owner. Starr Farm Nursing Center will not be required to obtain a new license. See further details at HRAP standard 5.12.

**CON STANDARD 5.12:** Applicants seeking to restructure nursing home ownership that triggers the need for a new license from DAIL shall demonstrate the ability to meet all reasonably anticipated financial and quality obligations imposed by the operation of the nursing home.

The Division of Licensing and Protection, within the Department of Disabilities, Aging and Independent Living will be requiring a new licensing re-application be submitted by Kindred Transitional Care and Rehabilitation – Birchwood Terrace due to the change in the name of the Licensee and the change in the Ownership section.

The current Licensee and Owner on the most recent license re-application is "Kindred Nursing Centers East, LLC" (KNCE). The Licensee is an item that is included on the License to Operate issued to the facility. Due to the changes in the internal corporate structure described in the submission titled "*GMCB-002-18con. Request of Kindred Healthcare Inc. for Certificate of Need with Respect to an Internal Corporate Reorganization*", the LLC that is the Licensee and Owner as named in the application and on the License to Operate will be merging into a newly formed limited partnership, KHOI New LP "New LP", hence the need for a new license to be issued to the correct Licensee.

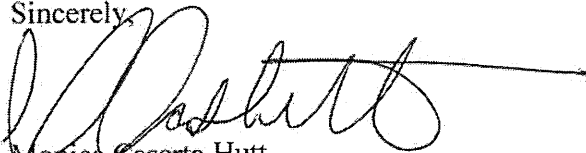
The parties state that following the merger of KNCE into New LP, the SNF facilities will continue to operate as they do currently, there will be no change in their management or operations as a result of the internal restructuring, and there will be no change to the services provided to patients or the total number of beds at each facility. They also state that the facilities will maintain the same fiscal stability and will not incur any legal liabilities as a result of the restructuring.

The DLP plans to approve the new licensing re-application without a need for further investigation, as the statements are clear that there will be no changes to operations; this is a necessary paperwork process to ensure the DLP has all current information about ownership and has an accurate Licensee.

Regarding Starr Farm Nursing Center, it is only the ownership section of the licensing application that will be changing with this restructuring, the Licensee will remain "Starr Farm Partnership" per the submission to the Green Mountain Care Board. Due to Starr Farm's License to Operate not requiring revisions, we will not be requiring Starr Farm Nursing Center to submit a re-application until the time of routine re-application or the time of the sale, whichever comes first. We only require notification of this change consistent with the ongoing disclosure requirements in the Licensing and Operating Rules for Nursing Homes.

Based on our assessment of the request submitted by Kindred Healthcare Inc for approval of their proposed corporate reorganization, DAIL is conditionally supportive of the certificate of need request, dependent on the full application and information obtained by the Green Mountain Care Board during the CON process.

Sincerely,



Monica Caserta Hutt  
Commissioner

Cc: Camille George, Deputy Commissioner  
Clayton Clark, Director, Division of Licensing and Protection  
Pam Cota, Long Term Care Licensing Chief